

GOVERNMENT OF THE DISTRICT OF COLUMBIA

OFFICE OF THE CHIEF FINANCIAL OFFICER

OFFICE OF TAX AND REVENUE



DC Sales Tax Holiday Instructions

November 26, 2004 – December 5, 2004

10 days, 2 weekends

DEFINITIONS: “**Clothing**” means an article of wearing apparel for humans. “**Shoes**” means all footwear, except skis, swim fins, roller blades and skates. “**Accessory items**” mean jewelry, watches, watchbands, handbags, handkerchiefs, umbrellas, scarves, ties, headbands, and belt buckles.

Exempt sales mean that the sales and use tax is not due on the sale of a qualifying article of clothing, accessories or footwear if the sales price of the item is \$100 or less; and the sales take place between **12:01 a.m. on Friday, November 26, 2004, and midnight on Sunday, December 5, 2004.** The exemptions applies to each qualifying item selling for \$100 or less per item, regardless of how many items are sold at the same time. *For example*, if a customer purchases two shirts for \$80 each, each item qualifies for the exemption, even though the customer’s total purchase price (\$160) exceeds \$100.

The exemption does not apply to: Taxable sales on skis, swim fins, roller blades and skates, or any qualifying item costing more than \$100; or for taxable services performed on clothing, accessories or footwear, such as alterations.

GUIDELINES:

Articles Normally Sold As A Unit. Articles normally sold as a unit must be sold that way during the DC Sales Tax Holiday. They cannot be priced separately and sold as individual items to qualify for the exemption. However, components normally priced as “separates” may still be sold as separate articles and any piece that is less than \$100 will qualify for the exemption.

Sales Of Sets Containing Both Exempt And Taxable Items. When exempt clothing, accessories or footwear is sold together with taxable merchandise as a set or single units, the full price is subject to sales tax unless the price is separately stated.

Discounts. If a retailer offers discounts to reduce the price of an eligible item to \$100 or less, the item will qualify for the exemption.

Coupons. When retailers accept coupons as a part of the selling price of a taxable item, the value of the coupon is excludable from the tax as a cash discount, unless a third party reimburses the retailer for the amount of the coupon (a manufacturer’s coupon).

“Tax” Discounts. Retailers cannot state or imply that they will pay the DC sales tax on non-exempt items during the DC Sales Tax Holiday or at any other time. DC law prohibits vendors from directly or indirectly stating that they will absorb the tax, that it will not be added to the price of taxable property or services, or that the tax will be refunded.

“Buy One-Get One Free” or for a Reduced Price. The total price of items advertised as “buy one get one free” or “buy one for a reduced price” cannot be averaged to qualify both items for the exemption. The application of the exemption depends on the actual price paid for the items.

Rebates. Rebates occur after the sale and do not affect the sales price of an item for purposes of the DC Sales Tax Holiday exemption.

Layaway Sales. Qualifying items placed on or picked up from layaway during the District of Columbia Sales Tax Holiday are exempt from sales tax.

Rain Checks. Eligible items purchased during the Sales Tax Holiday using a rain check qualify for the sales tax only if the rain check is redeemed during the Sales Tax Holiday. If it is redeemed after the holiday period, the purchase is not tax exempt.

Exchanges. If a customer buys an eligible item during the exemption period and later exchanges it for the same item (different size or color), tax is not to be charged, even if the exchange is made after the Sales Tax Holiday. If a customer buys an eligible item during the Sales Tax Holiday and returns the item after that week for credit on the purchase of a different item, the sales tax applies to the sale of the newly purchased item, even if it would have been eligible for the exemption during the Sales Tax Holiday.

Mail, Telephone, E-mail, and Internet Orders. Qualified items sold to purchasers in the District of Columbia by mail, telephone, email and Internet shall qualify for the sales tax exemption, if the item is both delivered to and paid for by the customer during the Sales Tax Holiday period; the customer orders and pays for the item and the retailer accepts the order during the exemption period for immediate shipment, even if delivery is made after the exemption period.

Shipping and Handling Charges. Shipping and handling charges shall be included as part of the sales price of the eligible item, whether or not separately stated. If multiple items are shipped on a single invoice, the shipping and handling charges shall be proportionately allocated to each item ordered and separately identified on the invoice.

Refunds. Retailers should refund tax to any customer who was charged sales tax on an exempt item during the Sales Tax Holiday. Customers who were charged the tax by a retailer should take their tax paid receipt to the retailer for a refund.

Documenting Exempt Sales. Retailers filing monthly or annual Sales and Use tax returns should enter the total amount of tax exempted due to the Sales Tax Holiday along with any other exempt taxes on line 11 of the Sales Tax portion of the tax return.

Retailers are also encouraged to clearly state in their records the type of item sold, the date sold and the sales price of tax-exempt merchandise sold during Sales Tax Holiday.

For further information, please call our Customer Service Center at **202-727-4TAX (727-4829)**.